

## **Amendment Section 4003 – Collect Unpaid Taxes from Federal Employees**

- While millions of Americans continue to send back portions of their hard earned wages to Washington, many federal employees are failing to contribute their share.
- In 2008, the Internal Revenue Service (IRS) found nearly 100,000 civilian federal employees were delinquent on their federal income taxes, owing a total of \$962 million in unpaid federal income taxes.
- When considering retirees and military, more than 276,000 people owed \$3 billion.
- This amendment simply requires the Internal Revenue Service (IRS) to collect any unpaid taxes from federal employees, which could generate \$3 billion in savings.
- At the same time, the disparity in salaries between the federal workforce and private employment is appalling.
- Recent data show federal employees fare better than private-sector workers in almost every aspect, including pay, benefits, time off, and job security.
- Federal salaries have increased on average of 4% since 1999 while inflation has increased on average of 2.4%.
- Federal salaries increased 3% from 2008 to 2009, outpacing inflation by 1.6 percent.
- Most notably, in 2009 inflation was at -.04% while federal salaries increased 3% from 2008.
- Not only do federal workers get paid more and are not held accountable to pay their taxes, we are hiring more of them to pay
- Since 1999 federal employment has increased by 18 percent.
- There are now well over 2 million federal employees, and this number is only expected to continue increasing in 2010.

## **Amendment Section 4003 – Collect Unpaid Taxes from Federal Employees**

Our nation's economy is on the brink of fiscal collapse. Unemployment has reached all time highs, and the national debt is rapidly approaching \$13 trillion.

While millions of Americans continue to send back portions of their hard earned wages to Washington, many federal employees are failing to contribute their share.

The Internal Revenue Code of 1986 allows the IRS to “garnish” the wages (pay or other income) of federal employees who are delinquent on their federal income taxes. A “garnishment” is the process by which the federal government collects a tax liability from the pay of an employee.

This amendment would save \$3 billion by requiring the Internal Revenue Service (IRS) to collect any unpaid taxes from federal employees.

This amendment carefully reaches only federal workers who have willfully neglected to pay their incomes taxes and excludes federal employees from termination if there is a good faith effort on their part to pay up.

This commonsense measure will stem the flow of irresponsible taxpayer funded employees who fail to pay their income taxes.

### **Federal employees have a clear obligation, just as the rest of American citizens do, to pay their federal income taxes.**

In 2008, the Internal Revenue Service (IRS) found nearly 100,000 civilian federal employees were delinquent on their federal income taxes, owing a total of \$962 million in unpaid federal income taxes.<sup>1</sup>

When considering retirees and military, more than 276,000 people owed \$3 billion.<sup>2</sup>

Consider the following examples:

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<sup>1</sup> Internal Revenue Service, Excel Spreadsheet, October 2008.

<sup>2</sup> Internal Revenue Service, Excel Spreadsheet, October 2008.

The U.S. Department of Agriculture (USDA) has a delinquency rate of 2.07 percent. USDA employs 2,166 who have been found delinquent on over \$17 million of unpaid tax liabilities.

The Department of Veterans Affairs has a delinquency rate of 3.91 percent with over 10,000 employs owing more than \$130 million.

The Department of Health and Human Services (HHS) has a delinquency rate of 3.86 percent and found that 2,924 of its employees owe a total of nearly \$34 million.

The U.S. Senate employs 231 staffers who owe a total of nearly \$2.5 million.

**This is occurring on the backdrop of a significant disparity in salaries between the federal workforce and private employment.**

Recent data show federal employees fare better than private-sector workers in almost every aspect, including pay, benefits, time off, and job security.<sup>3</sup>

A broad expansion of six-figure salaries has occurred throughout the federal government furthering the disparity between public and private wages.<sup>4</sup>

The number of federal employees who earn six-figure salaries ballooned during the recession.

From December 2007 to June 2009, the number of federal employees earning more than \$100,000 increased 46 percent. The number of federal employees making more than \$150,000 more than doubled.<sup>5</sup>

Federal salaries increased 3% from 2008 to 2009, outpacing inflation by 1.6 percent.<sup>6</sup>

Federal salaries have increased on average of 4% since 1999 while inflation has increased on average of 2.4%.<sup>7</sup>

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<sup>3</sup> <http://reason.com/archives/2010/01/12/class-war/print>

<sup>4</sup> [http://www.usatoday.com/printedition/news/20091211/1afedpay11\\_st.art.htm?loc=interstitialskip](http://www.usatoday.com/printedition/news/20091211/1afedpay11_st.art.htm?loc=interstitialskip)

<sup>5</sup> [http://www.usatoday.com/printedition/news/20091211/1afedpay11\\_st.art.htm?loc=interstitialskip](http://www.usatoday.com/printedition/news/20091211/1afedpay11_st.art.htm?loc=interstitialskip)

<sup>6</sup> OPM historical data compiled in conjunction with CRS

<sup>7</sup> Compiled with numbers from OPM in conjunction with CRS

Most notably, in 2009 inflation was at -.04% while federal salaries increased 3% from 2008.<sup>8</sup>

*USA Today* recently reported, “Paychecks from private business shrank to their smallest share of personal income in U.S. history during the first quarter of [2010]...At the same time, government-provided benefits from Social Security, unemployment insurance, food stamps and other programs rose to a record high in the first three months of 2010.”

The article goes on to point out that this is an unsustainable trend as it is tax dollars from private salaries that fund the expansion in government services and spending.<sup>9</sup>

Considering that tax revenue is the means by which Congress can spend, it would behoove the federal government to ensure it collected what it was owed.

**Not only do federal workers get paid more and are not held accountable to pay their taxes, we are hiring more of them to pay.**

Since 1999 federal employment has increased by 18 percent.<sup>10</sup>

There are now well over 2 million federal employees, and this number is only expected to continue increasing in 2010.<sup>11</sup>

In 2008, the Bureau of Labor Statistics (BLS) reported a loss of 3.65 million jobs in the private sector while government jobs increased nearly 150,000 during the same time period.<sup>12</sup>

In 2009 BLS reported that as the private sector continued to shed jobs during the toughest months of the recession, public sector jobs increased.<sup>13</sup>

A recent Washington Times article projects that 2010 does not look much better. The number of civilian federal employees will increase by over 150,000 to a total of 1.43 million this year.<sup>14</sup>

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<sup>8</sup> Compiled with numbers from OPM in conjunction with CRS

<sup>9</sup> [http://www.usatoday.com/money/economy/income/2010-05-24-income-shifts-from-private-sector\\_N.htm](http://www.usatoday.com/money/economy/income/2010-05-24-income-shifts-from-private-sector_N.htm)

<sup>10</sup> Compiled with numbers from OPM in conjunction with CRS

<sup>11</sup> <http://www.washingtontimes.com/news/2010/feb/23/obamas-federal-jobs-program/>

<sup>12</sup> <http://www.cnsnews.com/public/content/article.aspx?RsrcID=44662>

<sup>13</sup> <http://www.cnsnews.com/public/content/article.aspx?RsrcID=44662>

Some of the Feds' hiring increases have been stunning. When considering the four-year period from 2006 to 2010, the number of Homeland Security employees increased by 22 percent, the Justice Department has increased by 15 percent, and the Nuclear Regulatory Commission increased 25 percent. (These figures assume Congress adopts the President's FY 2010 budget without significant changes.)<sup>15</sup>

**Voting against this amendment is a clear indication that Congress is determined not to live by the same rules they write.**

The very nature of federal employment demands salaried workers pay their federal income taxes. Failure to do so is an affront to taxpayers.

Failing to file a tax return is also a misdemeanor. It can result in a prison sentence of one year and/or fines up to \$25,000 for each year a return was not filed.

Failing to pay taxes is a big deal for private citizens. Why not hold federal employees to the same standard?

Federal workers are not immune from taxation as outlined in the Constitution and thus still subject to the same laws as private citizens.

The concept of "public service" seems to contradict the very idea of special treatment and exemptions.

While many federal employees are indeed public servants, it is important to remember public servant jobs are not in the interest of the public when they fail to contribute their share in turn.

It is in the best interest of taxpayers for Congress not to turn their heads at income tax delinquency.

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<sup>14</sup> <http://www.washingtontimes.com/news/2010/feb/23/obamas-federal-jobs-program/>

<sup>15</sup> [http://www.cbsnews.com/8301-503983\\_162-5007862-503983.html](http://www.cbsnews.com/8301-503983_162-5007862-503983.html)